



Joe Sandoval, Chair

County of Los Angeles CONTRACTOR HEARING BOARD

1100 NORTH EASTERN AVENUE, LOS ANGELES, CALIFORNIA 90063

December 18, 2018

Participating Departments:
Internal Services Department
Chief Executive Office
Department of Parks and Recreation

The Honorable Board of Supervisors
County of Los Angeles
Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

53 December 18, 2018

A handwritten signature in cursive script, appearing to read "Celia Zavala".

CELIA ZAVALA
EXECUTIVE OFFICER

Dear Supervisors:

DEBARMENT OF SYNERGY CRE8TIVE GROUP LLC, AND ERIC COLEMAN ALL DISTRICTS - 3-VOTES

SUBJECT

Request for Board approval to adopt the proposed findings, decision, and recommendations of the Contractor Hearing Board to debar Synergy Cre8tive Group LLC, and its Principal Owner, Mr. Eric Coleman from bidding on, being awarded, and/or performing work on any contracts and/or purchase orders for the County of Los Angeles for a period of three years, from the date of the Board's approval as a consequence of what the Contractor Hearing Board found to be serious purchase violations and questionable practices.

IT IS RECOMMENDED THAT THE BOARD:

1. Adopt the proposed findings, decision, and recommendations of the Contractor Hearing Board (CHB) to debar Synergy Cre8tive Group LLC, and its Principal Owner, Mr. Eric Coleman (Mr. Coleman) for a period of three years from bidding on, being awarded, and/or performing work on any contracts or purchase orders for the County of Los Angeles from the date of the Board's approval of this action.
2. Instruct the Director of the Department of Children and Family Services (DCFS) to send notice to Synergy Cre8tive Group LLC, and Mr. Coleman, advising of the debarment action taken by the Board.
3. Instruct the Director of ISD to enter this determination to debar Synergy Cre8tive Group LLC, and Mr. Coleman for a period of three years into the County's Contract Database and in the Listing of Contractors Debarred in Los Angeles County.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of the recommended debarment action against the contractor, Synergy Cre8tive Group LLC, and Mr. Coleman (collectively "Synergy"), is to ensure the County of Los Angeles (County) contracts only with responsible contractors (synonymous with vendors).

Synergy was used to source various commodities such as clothing, food, and other household items by DCFS (or Department) through the non-agreement procurement process, where bid price quotes from multiple vendors were required.

Allegations that Synergy was controlling the bid price quotes provided to DCFS through Synergy and at least 15 other related entities (hereinafter collectively "Related Vendors") was investigated and substantiated by the Office of County Investigations (OCI). OCI described "Related Vendors" as having a family/personal relationship, sharing an identical phone number and/or physical address with Mr. Coleman or Synergy, or where Synergy served as a "Relationship Manager."

On July 18, 2018, the CHB convened at the request of DCFS to initiate debarment proceedings based on the OCI findings. DCFS alleged that Synergy should be permanently debarred for it had:

- 1) Committed, and engaged in a pattern of acts that reflect negatively on its ability, fitness and capability to provide contract services with the County;
- 2) Committed acts which lack business integrity and honesty; and
- 3) Made or submitted false claims against the County; and should be debarred.

Represented by its Principal Owner, Mr. Coleman, Synergy provided no documentation, but did provide an oral statement, and oral rebuttal at the proceedings.

Based on the evidence presented, the testimony of both parties, and following deliberations, the CHB found that Synergy was in violation of all of the above referenced acts, and debarment for a period of three years should be recommended to your Board. DCFS was able to show that Mr. Coleman was the owner and operator of Synergy and was associated with and/or had control over at least 15 other Related Vendors. From July 2008 through Fiscal Year 2017, he then used these Related Vendors to submit competing quotes with Synergy quotes for the sale of goods to the County, in order to win

County purchase orders. As a result, the County had no assurances that it received the highest quality goods at competitive prices resulting from these County purchase orders, due to a lack of competition since Mr. Coleman was associated with or had control over both Synergy and these Related Vendors.

Implementation of Strategic Plan Goals

The recommended action is consistent with the County Strategic Plan Goal III (Realize Tomorrow's Government Today), specifically Strategy 3 (Pursue Operational Effectiveness, Fiscal Responsibility, and Accountability, which supports shared values of accountability, integrity, professionalism, efficient and effective service delivery, and envisions the County as the premier organization for those working in the public's interest with a pledge to sustain essential County services through proactive and prudent fiscal policies and stewardship.

FISCAL IMPACT/FINANCING

Not applicable.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The Contractor Non-Responsibility and Debarment Ordinance

Determinations of Contractor Non-Responsibility and Contractor Debarment Ordinance, County Code Chapter 2.202, provides the County with the authority to terminate contracts and debar contractors when the County finds, in its discretion, that the contractor has engaged in certain acts, including any of the following:

- Violated a term of a contract with the County or a nonprofit corporation created by the County;
- Committed an act or omission which negatively reflects on the contractor's quality, fitness, or capacity to perform a contract with the County, any other public entity, or a nonprofit corporation created by the County, or engaged in a pattern or practice which negatively reflects on the same;
- Committed an act or omission which indicates a lack of business integrity or business honesty; or
- Made or submitted a false claim against the county or any other public entity.

As provided for in County Code Chapter 2.202, a contractor "...includes a contractor, subcontractor, vendor or any of their respective officers, directors, owners, co-owners, shareholders, partners, managers, employees or other individuals associated with the contractor, subcontractor, vendor who participated in, knew of, or had reason to know of any wrongdoing. In considering debarment, the County may consider the seriousness and extent of the contractor's acts, omissions, patterns, or practices and any relevant mitigating factors.

Contractor Hearing Board Representatives

County Code Chapter 2.202, Determinations of Contractor Non-Responsibility and Contractor Debarment Ordinance, established the CHB to provide an independent review of a contracting department's recommendation to debar a contractor. The regular membership of the CHB is comprised of representatives from the Internal Services Department (ISD), the Chief Executive Office (CEO), and the Department of Public Works (DPW). In addition, the CHB has alternate members that include the departments of Health Services, Parks and Recreation (Parks), Public Social Services, and any other County departments serving as alternate members. The ISD representative serves as the Chair in the CHB proceedings.

In this particular debarment proceeding, the CHB was comprised of representatives from ISD, the CEO, and Parks. The DPW member was not available to participate.

Background

In February 2018, DCFS requested ISD convene the CHB to initiate debarment proceedings against Synergy for the following:

- Violating a term or condition of a contract with the County.
- Committing an act or omission which negatively reflects on the contractor's quality, fitness, or capacity to perform a contract with the County, or engaging in a pattern or practice which negatively reflects on same;
- Committing an act or omission which indicated a lack of business integrity or business honesty; or
- Making or submitting a false claim against the County.

The CHB hearing was originally scheduled for April 4, 2018, but was continued at the request of DCFS. On May 17, 2018, DCFS sent proper notice via certified mail to Synergy, notifying them of its intent to initiate debarment actions against Synergy, with the proceedings scheduled for July 18, 2018 at 2:00 p.m. at the ISD's Administrative Offices (Attachment I). Synergy confirmed its intent to attend the debarment hearing on June 4, 2018.

On July 2, 2018, ISD provided Synergy with a list of prospective witnesses and copies of all documentary evidence that DCFS planned to use in the debarment proceedings. Synergy did not provide any documentary evidence for the debarment proceedings.

The debarment hearing was publicly noticed, and conducted on July 18, 2018. The proceedings were recorded and the recording is available upon request, as well as all documents entered into the record as exhibits during the hearing.

- Attachment II is a listing of the exhibits that were entered into the record, and which form a part of the record and this recommendation, as though fully set forth herein.
- Attachment III is a listing of CHB members for this proceeding, DCFS representatives, witnesses put on by DCFS, the Synergy representative and participating lawyers from County Counsel.

SUMMARY OF EVIDENCE AND ARGUMENT

Department

County Counsel represented DCFS, and presented evidence in the form of supporting documentation, and oral testimony by an OCI Investigator to demonstrate that Synergy:

- 1) Committed, and engaged in a pattern of acts that reflect negatively on its ability, fitness and capability to provide contract services with the County;
- 2) Committed acts which lack business integrity and honesty; and
- 3) Made or submitted false claims against the County; and should be debarred.

DCFS claimed that Mr. Coleman was the owner and operator of Synergy, and was associated with and/or had control over at least 15 Related Vendors. He then used Synergy and these Related Vendors to submit competing fictitious quotes for the sale of goods to the County, in order to win County purchase orders.

Synergy

Represented by its Principal Owner, Mr. Coleman, Synergy provided no additional documentation separate from what was entered into the record by DCFS, but did provide an oral statement, and oral rebuttal to DCFS' presentation.

Synergy stated that it acted as a Broker or "Relationship Manager" for purchasing and selling products between the Related Vendors and DCFS, and that DCFS had full knowledge that the various Related Vendors were related or associated by Mr. Coleman. Synergy stated that it didn't know what it was doing was wrong, and had it had been notified that its actions violated County policies, it would have ceased those activities immediately.

CHB Findings

Based on the evidence presented, the testimony of both parties, and following deliberations, the CHB found that Synergy was in violation of all of the above referenced acts.

Additionally, the CHB determined, by a preponderance of the evidence, that Synergy had prior knowledge of its wrong doing, but continued to willfully and intentionally commit these acts.

Pertinent Facts and Evidence

DCFS' procurement section had 16 staff responsible for processing approximately 7,350 purchase orders (POs) totaling \$19.2M in Fiscal Year 2014-2015. During a review of its procurement activities, Auditor-Controller's Audit Division (Audit) noted in a July 15, 2016 report that several DCFS vendors that had submitted competing quotes for non-agreement purchases appeared to be related. Audit noted, in particular that Synergy appeared to be associated with several other County vendors. OCI then conducted an investigation of relevant documentation provided by DCFS and Audit, as well as other documentation produced pursuant to a search warrant(s).

Synergy appeared to provide commodities such as clothing, food and other household items to County departments. The County's online vendor database shows that Synergy became a County vendor on June 25, 2008. According to eCAPS, DCFS paid Synergy approximately \$719,545 for 558 separate purchases from July 2008 through September 2016. In addition, the Public Defender paid Synergy \$25,775 for 16 purchases during the same period.

ISD Policy #A-300 sets forth the requirements for non-agreement purchases, which at minimum requires County purchasers to obtain a minimum of three quotes for purchases between \$1,501 and \$4,999, unless a department uses a certified Local Small Business Enterprise (LSBE), which only requires one quote. OCI determined that neither Synergy or the Related Vendors are certified LSBEs.

OCI investigated and substantiated Audit's findings. During the CHB hearing, DCFS presented supporting documentation from OCI and oral testimony from OCI that:

- Synergy was associated with at least 15 Related Vendors, for a total of 16 entities that Mr. Coleman controlled. With respect to the 15 other Related Vendors, each of these vendors either listed Mr. Coleman as the ISD registered contact, or listed his family members (wife, teenage step-daughter, uncle, aunt, brother-in-law) and/or personal acquaintances of Mr. Coleman. Of the 16 entities, 13 had a familial relationship, share a phone or physical address with Mr. Coleman or Synergy, and/or appeared to be controlled by Mr. Coleman. For the remaining three, Mr. Coleman represented himself as the "Relationship Manager" for the businesses.
- Synergy used these Related Vendors to submit fictitious bid quotes to the Department that resulted in the County awarding Purchase Orders (POs) to Synergy or other Related Vendors. In doing so, Synergy circumvented the County's purchasing process by using Synergy and the Related Vendors to compete against itself on non-agreement purchases. Supporting documents for a sample of 49 non-agreement purchase transactions involving Synergy and the Related Vendors from September 2010 through January 2015 showed that 44 (90 percent) of the 49 purchases were processed with multiple quotes from Mr. Coleman and the Related Vendors.
- Mr. Coleman represented himself as a Relationship Manager for DF Enterprizes, whose normal line of business was to provide underprivileged youth with educational opportunities and summer camp programs in the County, and not selling commodities. The owner of DF Enterprizes told OCI investigators that Synergy had approached him about partnering to sell commodities to the County, for which DF Enterprizes could receive 10 percent of the sales and the remaining 90 percent of the sales were paid to Mr. Coleman. OCI secured deposited checks from the County to DF Enterprizes and a number of other Related Vendors, and corresponding payments of up to 90 percent of the transactions from DF Enterprizes to Synergy was found. (Department Evidence, Tab 26, Tab 28.) It appears that Mr. Coleman was receiving checks from Related Vendors, in amounts

of 80 to 90 percent paid to the related vendors if they won purchase orders through DCFS.

- Mr. Coleman was personally submitting bids from many of these Related Vendors. After executing a search warrant on Mr. Coleman's email account, OCI learned that Mr. Coleman had control over the email accounts of many Related Vendors and possessed information related to the Related Vendors registration to do business with the County.
- DCFS buyers awarded Synergy and/or the Related Vendors over \$1.0 million in POs from July 2008 through September 2016, where Synergy had exclusive control of the bid price quotes provided to the County.
- In a July 11, 2012 email communique between Mr. Coleman and another person, entitled "Checking in (sic)", Mr. Coleman responded to the question, "What do you do?" as follows, "...To answer your question on what I do, I'm a buyer and service provider for the county Gov't. Whatever they have a need for I purchase it, mark it up (40-150%) and sell it to them." (Department Evidence, Tab 18)
- Synergy does not actually provide services or manufacture products, but purchases and sells third party products to the County, or arranges for third parties to perform work on its behalf for the County. Synergy would then invoice DCFS, and add a mark-up over the cost offered by County vendors that specialized in the same commodities. For example, on November 3, 2010, DCFS awarded a PO to Synergy to replace a DCFS employee's windshield that was damaged while the employee was driving for County business. Synergy hired Safelite AutoGlass (a registered County vendor) to complete the windshield repair and replacement that normally costs \$234 and then billed DCFS \$765, a 327 percent markup.

Argument

At the July 18, 2018 debarment hearing, DCFS, with its counsel, presented testimony and written documentation to support its recommendation for debarment. Mr. Coleman attended the debarment hearing, and presented oral testimony to support Synergy's objections to DCFS's debarment recommendations.

The CHB finds that DCFS established by a preponderance of the evidence the following issues below, which support a debarment for Synergy, and its Principal Owner, Mr. Coleman for a period of three years:



Synergy and Mr. Coleman Committed an Act or Omission Which Negatively Reflected on the Contractor's Quality, Fitness, or Capacity to Perform a Contract with the County; and Committed an Act or Offense Which Indicates a Lack of Business Integrity or Business Honesty

Through the oral and documentary evidence presented, the Department demonstrated that Synergy and its Related Vendors controlled the bid price quotes provided to DCFS, resulting in more than \$1 million in non-agreement purchase order awards between July 2008 and September 2016. In that there were no quotes from other vendors not controlled by or associated with Mr. Coleman on a large majority of the purchase orders won by Synergy or the Related Vendors, there is no way for the County to know that it received the highest quality goods and services at the most competitive prices. Indeed, ISD Policy #A-300 requires County purchasers to obtain a minimum of three quotes for purchases between \$1,501 and \$4,999, yet all of the quotes came from Mr. Coleman. Mr. Coleman knew that he was submitting the only quotes on a County purchase, and used different email addresses to submit those quotes so that it would appear that quotes were competitively received from multiple vendors.

The evidence also showed that Mr. Coleman purchased goods from third parties, and admittedly marked-up the pricing between 40 and 150 percent to sell to the County. (Department Evidence, Tab 18.) In one case noted by OCl, an item and installation service for windshield repair provided to the County was marked up 327 percent. These County purchases were paid for with taxpayer funds, and without the process being competitive as required, the County can only assume that it overpaid for goods and services. And Mr. Coleman received the benefit of such possible overpayments, given he kept proceeds from what was awarded to Synergy and pocketed anywhere from 80 to 90 percent of what was paid to the Related Vendors if they won purchase orders through DCFS.

Synergy and Mr. Coleman made or submitted a false claim against the county or any other public entity.

As indicated above, Synergy used its Related Vendors to submit fictitious bid quotes to DCFS that resulted in the County awarding POs to Synergy. In doing so, Synergy circumvented the County's purchasing process by controlling the bid quotes to bid against itself for non-agreement purchases. This resulted in the County paying at least 40 to 150 percent more for goods purchased from Synergy.

FINDINGS AND RECOMMENDED DECISION

After considering the evidence and arguments presented by both parties, the CHB finds that the Department demonstrated that Synergy and Mr. Coleman should be debarred for three years. The following factors assisted them in reaching their recommendation for debarment of Synergy:

- *Actual or potential harm or impact that results or may result from the wrongdoing.*

As discussed above, Synergy and Mr. Coleman's actions violated County purchasing rules and the spirit of competition that such rules are meant to foster. Receiving competitive quotes from multiple independent vendors gives the County some assurances that what it's paying for was secured at a good price and good quality. Synergy and Mr. Coleman's actions undermined that competitive process.

- *Frequency and/or number of incidents and/or duration of the wrongdoing; whether there is a pattern or prior history of wrongdoing.*

As demonstrated by DCFS pursuant to OCI's investigation, Synergy and Mr. Coleman's wrongdoing was numerous and extensive, and there was a long history of at least five to eight years of submitting multiple fictitious quotes. OCI's review of supporting documents for a sample of 49 non-agreement purchase transactions involving Synergy and the Related Vendors from September 2010 through January 2015 showed that 44 (90 percent) of the 49 purchases were processed with multiple quotes from Mr. Coleman and the Related Vendors.

It is possible that the numbers may be even higher, given OCI only looked at a sample of 49 non-agreement purchases, but eCAPs shows DCFS paid Synergy for 558 separate purchases from July 2008 through September 2016.

- *Whether a contractor's wrongdoing was intentional or inadvertent.*

The totality of the evidence suggests that Mr. Coleman knew what he was doing was wrong. Mr. Coleman was associated with Synergy and at least 15 Related Vendors with different names. The evidence suggests that he created or associated himself with these entities to create the appearance that the entities were separate and different from Synergy when he was submitting quotes to the County for purchases. Some of these entities were owned by or listed contact information of his family members. OCI was able to determine that Mr. Coleman's wife, teenage step-daughter, uncle, aunt, and brother-in-law were involved with a number of these Related Vendors.

Further, Mr. Coleman was personally submitting bids from many of these Related Vendors, but using different email accounts. After executing a search warrant on Mr. Coleman's email account, OCI learned that Mr. Coleman had control over the email accounts of many Related Vendors and possessed information related to the Related Vendors registration to do business with the County. Mr. Coleman submitted quotes using different email addresses, again to create the appearance that the entities were separate and different from Synergy.

In addition, Mr. Coleman admittedly noted that he was marking up the price of goods sold back to the County by a very large percentage. In a July 11, 2012 email between Mr. Coleman and another person, he acknowledged that whatever the County has "...a need for I purchase it, mark it up (40-150%) and sell it to them." (Department Evidence, Tab 18.)

- *The positions held by the individuals involved in the wrongdoing.*
The wrongdoing was at the highest levels. Mr. Coleman is the principal owner of Synergy, and was involved with at least 15 other Related Vendors, of which many of his family members were listed as the contact for the entity or the owner of the entity.

After weighing the presentation of evidence by both parties, the CHB unanimously voted to recommend to the Board that Synergy and Mr. Coleman be debarred. By a separate majority vote, the CHB recommends that Synergy and Mr. Coleman be debarred for a period of three years. The reasons cited by the CHB for debarring Synergy and Mr. Coleman are as indicated above, given he was the principal owner of Synergy and was involved with all these Related Vendors, and was directly responsible or controlled the activities of Synergy and these Related Vendors.

The CHB did not agree with DCFS' recommendation for a permanent debarment of Synergy and Mr. Coleman, given the culpability of DCFS purchasing personnel who appeared to have known that Mr. Coleman owned Synergy as well as being involved with all these Related Vendors.

Despite this knowledge, DCFS purchasing personnel continued to request quotes solely from Mr. Coleman on numerous occasions without inquiring with other vendors not associated with Mr. Coleman.

IMPACT ON CURRENT PROJECTS

Not applicable.

CONCLUSION

Due to the foregoing, and to ensure that the County contracts only with responsible contractors who comply with all relevant laws, as well as the terms and conditions of their contracts, the CHB respectfully requests that your Board adopt the proposed findings, decision and recommendations relating to Synergy and Mr. Coleman, and debar both for a period of three years.

Respectfully submitted,



JOE SANDOVAL, CHAIR
Contractor Hearing Board
General Manager, Purchasing and Contracting Services
Internal Services Department

JS:ct

Attachments

- c: Executive Office, Board of Supervisors
Gevork Simdjian, Chief Executive Office
Malou Rubio, Department of Parks and Recreation
Truc L. Moore, County Counsel for Contractor Hearing Board
Bobby D. Cagle, Director of Department of Children and Family Services
David Beaudet, County Counsel for Department of Children and Family Services



Attachment I
County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

425 Shatto Place, Los Angeles, California 90020
(213) 351-5602

BOBBY D. CAGEL
Director

BRANDON T. NICHOLS
Chief Deputy Director

Board of Supervisors

HILDA L. SOLIS
First District

MARK RIDLEY-THOMAS
Second District

SHEILA KUEHL
Third District

JANICE HAHN
Fourth District

KATHRYN BARGER
Fifth District

May 17, 2018

Mr. Eric F. Coleman
Synergy Cre8tive Group LLC
7211 Haven Avenue, Suite E-602
Alta Loma, CA, 91701

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Dear Mr. Coleman:

DEBARMENT PROCEEDINGS

The County of Los Angeles Department of Children and Family Services (DCFS) intends to initiate debarment proceedings against Synergy Cre8tive Group, LLC, and Mr. Eric F. Coleman as an individual. The recommended permanent debarment will be made pursuant to Los Angeles County Code Chapter 2.202, Determination of Contractor Non-Responsibility and Contractor Debarment.

You are hereby notified that the debarment hearing with the Contractor Hearing Board will be held on:

Date: Wednesday, July 18, 2018
Time: 2:00 p.m. to 5:00 p.m.
Place: Internal Services Department, Room G-101
1100 North Eastern Ave.
Los Angeles, CA 90063

This notice specifies the basis for the debarment recommendation, the proposed period of debarment and a summary of evidence to support the recommendation, in Attachment A, incorporated herein by reference.

At the Contractor Hearing Board, you are entitled to appear, and/or be represented by an attorney or other representative to present evidence against a finding of debarment. At the hearing, you or your representative may offer documentary evidence, present witnesses and offer rebuttal evidence as authorized by the County code.

After the debarment hearing, the Contractor Hearing Board will prepare a proposed decision to the County Board of Supervisors (Board). This decision will include a recommendation on

"To Enrich Lives Through Effective and Caring Service"

Mr. Coleman
May 17, 2018
Page 2 of 2

whether or not to debar you and/or Synergy, and, if so, the appropriate length of time for debarment. The Board may, in its discretion, limit any further hearing to the presentation of evidence not previously heard. The Board has the right to modify, deny, or adopt the Contractor Hearing Board's proposed decision and recommendation. Any debarment finding shall become final upon the approval by the Board.

If you plan to be present or to be represented at the debarment hearing, you must submit a written confirmation to DCFS indicating whether you and/or an attorney or other representative will be present. **This confirmation must be sent to the following address by no later than Friday June 1, 2018:**

Department of Children and Family Services
Leticia Torres-Ibarra, Contracts Administration Division,
425 Shatto Place, Room 400, Los Angeles, CA 90020

Failure to confirm your participation on the hearing date or otherwise respond to this notice may result in waiving of all rights to a hearing before the Contractor Hearing Board.

If you confirm attendance at the Contractor Hearing Board by the deadline identified above, DCFS will provide you with a list of all prospective witnesses and copies of all documentary evidence at least ten (10) days prior to the scheduled hearing.

If you intend to present evidence against the proposed debarment, you must provide DCFS with a list of prospective witnesses and five (5) copies of all documentary evidence at least five (5) days prior to the scheduled hearing. The deadline to submit these documents is 12:00 p.m. on Thursday, July 12, 2018.

If you have any questions, please contact Leticia Torres-Ibarra, Contracts Division Manager, at (213) 351-3287.

Sincerely,



Kym Renner
Deputy Director

cc: County Counsel
Contractor Hearing Board Members

ATTACHMENT A

BASIS FOR PROPOSED DEBARMENT RECOMMENDATION AND SUMMARY OF EVIDENCE TO SUPPORT THE RECOMMENDATION

The basis for the proposed debarment recommendation is that Synergy, (1) violated a term or condition of a contract with the County; (2) committed an act or omission which negatively reflects on the contractor's quality, fitness, or capacity to perform a contract with the County or engaged in a pattern or practice which negatively reflects on same; (3) committed an act or omission which indicates a lack of business integrity or business honesty; or (4) made or submitted a false claim against the County.

The Department of Children and Family Services (DCFS) will recommend a permanent debarment for Synergy and its principal, Eric F. Coleman.

A summary of the evidence to support the debarment recommendation is set forth below:

1. The County of Los Angeles is prepared to present evidence demonstrating that Eric Coleman, the owner and operator of Synergy Cre8tive Group, LLC, has been associated with and/or had control over several other vendors and that he used those vendors to submit competing bids for the sale of goods to the County of Los Angeles in order to win County Purchase Orders. Mr. Coleman has continued to do business with the County of Los Angeles as of March 2018.
2. After receiving allegations of misconduct involving the Procurement section within the Department of Children and Family Services (DCFS), the Office of County Investigations (OCI) examined purchases made by DCFS between 2010 and 2015. OCI found that at least 16 different vendors involved in DCFS purchases were associated with Mr. Coleman through familial or personal relationships. OCI also learned that Mr. Coleman was personally submitting bids from many of these related vendors. After executing a search warrant on Mr. Coleman's email account, OCI learned that Mr. Coleman had control over the email accounts of these related vendors and possessed information related to the related vendors' registration to do business with Los Angeles County. OCI found many instances where Synergy Cre8tive Group won purchase orders from the County after intentionally competing only against vendors controlled by Mr. Coleman. The owner of at least one of the related vendors told OCI that at Mr. Coleman's request, the owner had allowed Mr. Coleman to submit bids to the County on behalf of the owner's company and that if the company won any purchase orders with the County, the owner would deposit the check received from the County pay 90 percent of the amount to Mr. Coleman.

ATTACHMENT A

BASIS FOR PROPOSED DEBARMENT RECOMMENDATION AND SUMMARY OF EVIDENCE TO SUPPORT THE RECOMMENDATION

After executing a search warrant on Mr. Coleman's bank account, OCI found that Mr. Coleman had made similar arrangements with at least nine of the related vendors. Mr. Coleman's bank records show that he deposited multiple checks from related vendors, notated as "commission," equal to roughly 80 to 90 percent of the dollar amounts that the County had paid to the related vendors for recent purchase orders.

3. Mr. Coleman and the related vendors won County purchase orders totaling over one million dollars through DCFS between 2010 and 2015, during the time that Mr. Coleman was supplying DCFS with multiple competing bids from the vendors he controlled. The County has no assurance that it received the highest quality goods and services or competitive prices for these awards.
4. The County is prepared to present the testimony from OCI and others regarding the results of the OCI investigation into Mr. Coleman's involvement with multiple vendors bidding for County purchase orders. The County is prepared to present emails from DCFS's Procurement Division showing that it received bids from multiple vendors submitted by Mr. Coleman. The County is prepared to present emails from Mr. Coleman's own account showing that he had control over the email accounts of multiple vendors, including emails showing that Mr. Coleman had the passwords to those accounts. The County is prepared to present records from Mr. Coleman's bank accounts showing that he received "commission" checks from related vendors, in amounts of 80 to 90 percent paid to the related vendors if they won purchase orders through DCFS.

Attachment II

DOCUMENTARY EVIDENCE

DEBARMENT HEARING FOR SYNERGY CRESTIVE GROUP, LLC
AND ERIC COLEMAN

July 18, 2018

Tab	Documents
1	Report from Los Angeles County Department of Auditor-Controller regarding procurement improprieties dated October 19, 2016 (redacted)
2	Spreadsheet showing a list of 49 Los Angeles County purchase orders with notes pertaining to related emails
3	Chart showing Facebook connections between Eric Coleman, La Crease Coleman, and 16 related vendors
4	Chart showing contact information of 16 related vendors from Los Angeles County Internal Services Department and eCAPS
5	Chart showing information retained by Registrar-Recorder County Clerk for 16 related vendors
6	Chart showing which of 16 related vendors' email log-in information and vendor registration information were found in Eric Coleman's emails
7	Twenty page document prepared by Office of County Investigations that includes copies of emails to Eric Coleman containing email sign-in information and passwords for related vendors (redacted)
8	Email dated June 15, 2012, from Eric Coleman to himself containing contact information for related vendors (redacted)
9	Email dated October 31, 2011, from Gmail to Eric Coleman confirming the creation of a new email address for Davion Handy, a related vendor
10	Email dated October 3, 2013, from DCFS to Eric Coleman asking for three more quotes
11	Email dated October 21, 2013, from DCFS to Eric Coleman asking for two additional quotes
12	Email dated May 26, 2010, from Eric Coleman to DCFS submitting a bid on behalf of Jacobs Products as Relationship Manager
13	Email dated August 26, 2010, from Eric Coleman to DCFS, signed as Relationship Manager of Ali's Products with three different bids attached

- 14 Email dated November 26, 2013, from Eric Coleman to DCFS submitting a bid on behalf of Jackie S Production as Relationship Manager
- 15 Email dated March 26, 2012, from DCFS to related vendor Sherri Lines asking for updated bids for two other related vendors, Wimbo and DF Enterprizes
- 16 Email dated May 1, 2012 from DCFS to Eric Coleman asking "Will this be the one with the lowest bid?"
- 17 Email dated March 3, 2011 from DCFS to Eric Coleman regarding pending invoices from seven different vendors
- 18 Email dated July 11, 2011 from Eric Coleman explaining what "relationship manager" means
- 19 Email dated August 24, 2010 from Eric Coleman to himself with attached notes on business strategies
- 20 Email dated May 11, 2010 from Eric Coleman to DCFS with attached price quote for the cost of 160 duffle bags on behalf of DF Enterprizes as Relationship Manager
- 21 Los Angeles County Purchase Order form dated June 17, 2010, for the purchase of 160 duffle bags from DF Enterprizes
- 22 Email dated July 1, 2010, from Eric Coleman to Darius Farrelly, with an attached document entitled "commission report" pertaining to the sale of 160 duffle bags
- 23 Spreadsheet showing a commission distribution between Synergy and DF Enterprises in 2010
- 24 Email dated March 26, 2014, from Eric Coleman with an attached IRS Form 1099 for a payment to Synergy
- 25 Email dated February 5, 2013, to Eric Coleman with information relating to commission payments to Synergy Cre8tive Group LLC
- 26 Copies of 28 checks made out to Synergy Cre8tive Group LLC
- 27 Spreadsheet showing County ECAPS checks paid to related vendors corresponding with commission checks paid to Synergy
- 28 Spreadsheet showing commission checks linked to County Purchase orders to the related vendors
- 29 Instructions explaining the information on the Spreadsheets in Exhibits 27 and 28

ATTACHMENT III

CONTRACTOR HEARING BOARD MEMBERS FOR JULY 18, 2018 PROCEEDING

- Joe Sandoval, Chair, Internal Services Department
- Gevork Simdjian, Chief Executive Office
- Malou Rubio, Department of Parks and Recreation
- Truc L. Moore, County Counsel for Contractor Hearing Board

REPRESENTATIVES IN SUPPORT OF DCFS' RECOMMENDATION

- David Beaudet, County Counsel for Department of Children and Family Services
- Leticia Torres-Ibarra, Division Manager, Contracts Administration Division, Department of Children and Family Services
- Claudia Pineda, Section Manager, Contracts Administration Division, Department of Children and Family Services
- Cristina Del Rosario, Office of County Investigations, Los Angeles County Department of Auditor-Controller

REPRESENTATIVES IN SUPPORT OF SYNERGY

- Eric Coleman, Principal Owner of Synergy